

**MINUTES FOR OCTOBER 9, 2002,
MEETING OF THE BOARD OF DIRECTORS OF
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF TEMPE, ARIZONA**

The Board of Directors of the Corporation held a meeting on October 9, 2002, at the Tempe Public Library, Second Floor Board Room, 3500 South Rural Road, Tempe, Arizona, pursuant to notice given to each Director and the City Clerk of the City of Tempe, Arizona. The President, Lillian Carnahan, called the meeting to order at 8:00 a.m. and noted that all the other members of the Board of Directors for the Corporation were present as well as the following individuals: Michael Cafiso, Esq. of the law firm of Greenberg Traurig, LLP; Chuck James, Esq. of the law firm of Squire Sanders & Dempsey L.L.P.; Mr. Darrell Jensen, Executive Director, Tempe Lifecare Village, Inc. d/b/a Friendship Village of Tempe (the "Applicant"); Ms. Mary Muñoz, Director, Ziegler Capital Markets Group; and Douglas Cook, Esq. of the law firm of Douglas, K. Cook, Attorney, P.C., counsel to the Applicant.

Ms. Carnahan asked whether the members of the Board had had an opportunity to review the minutes of the meeting of August 13, 2002, and of the executive session of the Board held on the same day. Mr. Hutson moved for the approval of the minutes, Mr. Brady seconded such motion and the motion was passed unanimously by the Board approving the minutes.

The next item on the agenda for the meeting was a presentation of "Tempe Life Care Village, Inc. - Application to The Industrial Development Authority of the City of Tempe, Arizona" from the Applicant for a project involving the expansion, conversion and renovation of a facility to be constructed in two primary phases: construction of a new health center with 128 skilled nursing beds, a 24-bed Alzheimer assisted living unit and a 13-bed hospice unit on approximately three acres of undeveloped land adjacent to an existing facility of the Applicant at 2525 East Southern Avenue in Tempe, Arizona, and, then, demolition of the existing facility which is a 128-bed skilled nursing facility and replacement and expansion of the "commons area" (lobby, administration, dining, kitchen, convocation room, etc.) of the existing campus, a 24-room expansion of the assisted living facility and construction of 85 additional independent living units with associated parking and a new 80-car below ground level garage. Mr. Jensen made some preliminary introductory comments on behalf of the Applicant and then turned to Ms. Muñoz to proceed with the rest of the Applicant's presentation. Ms. Muñoz presented an additional handout at the meeting entitled "Investment Banking Presentation for Friendship Village of Tempe." Ms. Muñoz began to explain more about who the Applicant was and in what business they were currently active. She elaborated on the history of the Applicant and its activities in the City of Tempe over the last ten years or so.

She then elaborated on what the preliminary plans for the new project would be.

At this point Mr. Hutson began to question Ms. Muñoz and Mr. Jensen about several aspects including matters which were presented in the Applicant's application. One of the questions related to the Applicant's intent with respect to the liens imposed on the existing facility of the Applicant, the primary financing for which was undertaken by the Corporation. Mr. Hutson then proceeded to express his concerns about the total amount of debt which would be an obligation of the Applicant if the bonds which were the subject of the Application were indeed issued.

Ms. Muñoz and Mr. James proceeded to explain how the existing property would provide security along with certain new property for both the bonds that were currently outstanding and the new bonds of the Corporation which would be issued if the Corporation agreed to go forward with the Applicant's request. Mr. Cafiso asked Mr. James whether the bond documents of the existing facility provided for the issuance of "additional bonds" secured by the same collateral. Mr. James elaborated on his prior explanation by indicating that that was the case and that as such the right under certain circumstances to issue additional bonds existed if the Applicant was able to satisfy certain conditions precedent, particularly a debt service coverage requirement.

Ms. Muñoz then went on to review with the members of the Board of the Corporation the projected financial status of the Applicant right after and during the early years following completion of construction of the project which is the subject of the Application. She indicated that, while there are startup risks with any new project, the Applicant was currently financially "healthy" relative to other entities in the same business and that projections made conservatively by the Applicant would allow them to be financially stable during such years and thereafter. Ms. Muñoz also laid out the feasibility study work and other diligence being undertaken by the Applicant and the consultants involved with the proposed project.

Ms. Norton asked Mr. Jensen about the status of certain permits necessary for the operation of the project, and Mr. Jensen described those that would be necessary and others that would not have to be changed as a result of construction of the project.

Mr. Brooking asked about the number and nature of the dementia beds included within the project proposal, particularly what specifically they would entail and how they would fit with the rest of the project. Mr. Jensen described the current facilities available for such purposes at the project and how the additional facilities would be added and discussed matters relating to them such as the secure aspect of such facilities relative to the existing facilities and the community in general.

Other members of the Board asked various questions about the use of the facilities and proceeds of the sale of the Corporation's bonds. (During the conversation Mr. Hutson had to leave the meeting to tend to other business.) Mr. Cafiso reminded the Board that all the Applicant was seeking at this time was preliminary approval and that the documents relating to the issuance of the bonds (which would include specifics on the transaction and the underlying security) would come back to the Board in the future. Ms. Muñoz and Mr. James outlined the process that would be necessary to be able to issue the bonds including steps that would be necessary before they would return to the Board to request final approval.

Ms. Norton then made a motion seconded by Mr. Brookings approving a resolution previously submitted to the Board of the Corporation granting preliminary approval for and declaring the intention of the Corporation to issue its revenue bonds in an aggregate principal amount of not to exceed \$70,000,000 for the Project. The motion was unanimously approved by the Board.

There was a motion to adjourn and a unanimous vote to do the same. The meeting ended at approximately 10:00 a.m.